

Friends House Retirement Community
Benefits of a Charitable Gift Annuity
through Friends Fiduciary

What is a Charitable Gift Annuity?

A way to give—and keep on receiving

Would you like to count on fixed income payments which are unaffected by interest rates and stock prices and which you can't outlive? Would you like to make an investment in the future of the Friends House Retirement Community? Would you like to qualify for charitable income tax deductions? Would you like to receive fixed guaranteed quarterly payments each year for life?

A charitable gift annuity through Friends Fiduciary is a great way to invest in the future of Friends House Retirement Community while also securing your future. It's a gift that provides you with guaranteed payments for life and frees you from managing funds that you intend to eventually give away.

- Receive guaranteed annuity payments for life.
- Save on taxes.
- Help assure that no one has to leave Friends House Retirement Community because of inability to pay

The charitable gift annuity (CGA) is among the oldest, simplest, and most popular methods of making a deferred charitable gift. In exchange for a transfer of cash, stocks or bonds, Friends Fiduciary, a Quaker non-profit financial institution will contractually guarantee to pay a specified annuity to you and/or another annuitant, such as your spouse. By naming Friends House Retirement Community as the beneficiary of the charitable gift annuity, the remainder of the contract will come to Friends House to assure quality care for all future residents.

Persons Who Might Benefit From a Charitable Gift Annuity

Most gift annuity donors are retired, want to increase their cash flow, seek the security of guaranteed payments, and would like to save taxes. A charitable gift annuity could be right for people in any of the following circumstances:

- The interest rates on their CDs and other fixed-income investments have declined, and they would like to increase their cash flow.
- They would like to count on fixed payments, which are unaffected by interest rates and stock prices and which they cannot outlive.
- They own appreciated stock or mutual fund shares and have considered selling some of the shares and reinvesting the proceeds to generate more income, but they have hesitated because they don't want to pay tax on the capital gain.

- They want to assure continuation of payments to a surviving spouse without the delay of probate proceedings.

Charitable Gift Annuity Payments

Payments from a charitable gift annuity are fixed from the outset. They will neither increase nor decrease, whatever happens to interest rates or the stock market. A charity is contractually obligated to make the payments, even if it has to dip into its general funds to do so.

Factors Affecting the Size of Payments

The size of the payments from a charitable gift annuity depends on the following factors:

- The gift annuity rate offered by Friends Fiduciary follow rates recommended by the American Council on Gift Annuities).
- The value of the contribution.
- The number of annuitants.
- The age(s) of the annuitant(s).

Gift Annuity Rates

Donors generally find that the rates offered by various charities are identical. This encourages donors to make philanthropic decisions based on the cause of the charities they consider supporting, rather than the rates offered.

Charitable gift annuity rates are lower than those offered by insurance companies to purchasers of commercial annuities so that a significant portion of a contribution will be available for charitable purposes.

Though lower than commercial rates, gift annuities are still very attractive to individuals who want simultaneously to support a favorite charity and provide payments to themselves or others.

Taxation of Gift Annuity Payments

If the gift annuity is funded with cash, part of the payments will be taxed as ordinary income and part will be tax-free. If funded with appreciated securities or real estate owned more than one year, and the donor is receiving the annuity payments, part of the payments will be taxed as ordinary income, part as capital gain, and part may be tax-free.

Friends Fiduciary will send a Form 1099-R to the annuitant in January each year. This form will specify how the payments should be reported for income tax purposes. For details regarding the taxation of gift annuity payments, it is wise to consult with representatives of the charity as well as financial advisors.

Income Tax Charitable Deduction

Taxpayers who itemize deductions can claim a charitable deduction for a portion of the original gift. This deduction can result in significant income tax savings. In short, the deduction is equal to the amount of the contribution less the present value of the payments that will be made to the donor and/or other beneficiary during life. The present value of those payments is determined using IRS tables regarding life expectancy and assumed earnings, and taking into consideration the amount contributed and the gift annuity rate

How it works

You sign an annuity contract with Friends Fiduciary with Friends House Retirement Community named as the beneficiary of the remainder of the annuity upon your death or the death of a second party, usually your spouse. In return, Friends Fiduciary gives you guaranteed annuity payments at a fixed rate for the rest of your life.

In addition, you get substantial tax savings. Most people can deduct a significant part of their gift right away. Plus, part of the annuity payments you receive may be tax-free.

How to give a gift

It's easy to set up a gift annuity. All you need to do is fill out a simple form and write a check or transfer stock—we take care of the rest. There are no legal fees to contend with. While you can make your gift as large as you like—*the minimum contribution is \$10,000*. Your contribution can be in the form of cash or marketable securities (stocks, bonds, etc.).

Please keep in mind that gifts through a gift annuity are non-refundable.

What you receive

In return for your gift, you receive guaranteed annuity payments for life. You can begin receiving these payments immediately or defer them until a later time. If you're still working, you may wish to defer receiving payments until after you retire.

You can choose whether you'd like to receive the payments yourself or jointly with a spouse—or you can designate someone else as the annuitant. The payments can be sent to you quarterly, semi-annually, or annually.

When you give a gift, you'll also see significant tax savings in two areas. First, you receive a charitable income tax deduction for a portion of your gift. The older you are, the greater your deduction.

Second, part of each annuity payment you receive may be tax-free. (After you reach your projected life expectancy, all payments will be fully taxable, but you may then

be in a lower income tax bracket.)

Request a free illustration with no obligations

Thank you for considering the Friends House Retirement Community of Sandy Spring, Maryland for a charitable gift annuity. Please feel free to call Karen Lehman, Executive Director or email her at klehman@friendshouse.com. If you will send her your (1) birth date, (2) the age that you wish to begin receiving payments, and (3) the amount you are considering giving, she can send you a computer developed proposal that will tell you the amount of your charitable deduction, your guaranteed rate of return, expected quarterly payments, as well as your tax deductions for the years after the age you wish to begin receiving income. The individual computer projections take only minutes to develop, and the rates will be the same for any non-profit organization you choose. This is a free and confidential service and you are under no obligation to take out a charitable gift annuity with Friends House.

Sample Interest Rates (as of July 1, 2008)

Age	Interest Rate
65	5.7
70	6.1
75	6.7
80	7.6
85	8.9
90	10.5